

## Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 COME-00 EB-07 LAB-04 SIL-01 AGR-05 TRSE-00

OMB-01 AID-05 /077 W

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R 311228Z JAN 75

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 2171

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E.O. 11652 N/A

SUBJ: CONVERSATION WITH PRIME MINISTER: JCTUO STRIKE  
CONCELED

REF: COLOMBO 0239; COLOMBO 0275.

1. SUMMARY: IN MY CONVERSATION WITH PRIME MINISTER SHE EXPRESSED PLEASURE AT RESULTS OF RECENT AGREEMENT WITH UNITED FRONT-AFFILIATED TRADE UNIONS UNDER WHICH THAY CALLED OFF PROPOSED TOKEN STRIKE IN RETURN FOR COMPROMISE SETTLEMENT UNDER WHICH MOST PUBLIC SECTOR WORKERS WILL RECEIVE RS. 25 PER MONTH INCREASE. SHE RECOGNIZES, HOWEVER, THAT SHE WILL BE FACED WITH CONTINUED PRESSURE TO IMPLEMENT POLITICAL DEMANDS TO UNDERTAKE FURTHER NATIONALIZATION BUT SHE INSISTS ON GOING SLOWLY AND BEING PRAGMATIC. FOR THIS REASON SHE HAS BEEN RELUCTANT TO ACCEPT JCTUO'S DEMANDS TO TAKE OVER BANKS, COMPANY TEA ESTATES AND SYNTHETIC TEXTILE ESTABLISHMENTS. SHE IS STUDYING IRANIAN SYSTEM OF WORKER INCENTIVES. END SUMMARY.

2. DURING MY JANUARY 29 CONVERSATION WITH PRIME  
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MINISTER BANDARANAIKE, I NOTED THERE HAD BEEN

ANNOUNCED EARLIER IN DAY THAT JOINT COUNCIL OF  
TRADE UNION ORGANIZATIONS (JCTUO) HAD ACCEPTED  
GOVERNMENT'S COMPROMISE PROPOSALS AND THAT TOKEN  
STRIKE

FOR JANUARY 31 HAD BEEN CALLED OFF. PRIME  
MINISTER INDICATED SHE WAS PLEASED WITH RESULTS  
BUT MADE IT CLEAR BASIC ISSUES WERE BY NO MEANS  
RESOLVED AND THAT SHE WOULD STILL HAVE TO DEAL WITH  
MANY OF THE JCTUO'S 28 DEMANDS.

3. SHE NOTED THAT AS PART OF SETTLEMENT  
GOVERNMENT HAD AGREED TO PROVIDE RS. 25 PER MONTH  
INCREASE TO ALL PUBLIC SECTOR WORKERS WHO EARNED  
LESS THAN RS. 800 PER MONTH AND WOULD EXAMINE  
SYMPATHETICALLY WHETHER SIMILAR INCREASES COULD BE  
EXTENDED TO PRIVATE SECTOR WORKERS. EVEN THIS WAGE  
INCREASE WOULD COST GOVERNMENT RS. 200 MILLION  
PER YEAR BUT NONETHELESS IT WAS APPRECIABLY LESS THAN  
JCTUO'S ORIGINAL DEMAND FOR RS. 75 RAISE.

4. IN REACHING SETTLEMENT, PRIME MINISTER EXPLAINED  
THAT SHE HAD REAFFIRMED UNITED FRONT'S (UF) COMMITMENT  
TO FURTHER NATIONALIZATION BUT  
AS PRAGMATIST, SHE  
WISHED TO MOVE SLOWLY. SHE DID NOT FEEL THAT AT  
THIS TIME SHE SHOULD NATIONALIZE BANKS, STERLING  
COMPANY ESTATES, OR FIRMS MANUFACTURING SYNTHETIC  
TEXTILES. UF HAD MADE ELECTORAL COMMITMENT TO  
NATIONALIZE BANKS BUT FINANCE MINISTER N.M. PERERA  
HIMSELF DID NOT BELIEVE THIS WAS PROPITIOUS TIME TO  
TAKE THEM OVER.

5. MRS BANDARANAIKE SAID HER BASIC POSITION WAS  
THAT NATIONALIZATION SHOULD NOT BE PURSUED FOR STRICTLY  
POLITICAL REASONS BUT ONLY IF IT COULD BE SHOWN THAT  
ECONOMY WOULD GAIN THEREBY. FOR EXAMPLE, CEYLON  
TOBACCO

COMPANY WAS ONE OF LARGEST TAXPAYERS IN COUNTRY  
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AND ONE SHOULD THINK CAREFULLY ABOUT REPERCUSSIONS  
OF TAKEOVER. RE TEA ESTATES, GOVT PROPOSALS TO  
COMPEL CERTAIN COMPANIES TO INCORPORATE IN SRI LANKA  
AS RUPEE COMPANIES PROVIDED OPPORTUNITY FOR CEYLONSE  
TO BUY INTO MANY FIRMS. IF GSL ARBITRARILY TOOK OVER  
STERLING COMPANY ESTATES, IMPACT ON COUNTRY'S  
SALES WOULD HAVE TO BE WEIGHED BECAUSE UNITED  
KINGDOM REMAINED NUMBER ONE PURCHASER OF SRI LANKA'S

TEA.

6. NOTING THAT COUNTRY WAS ALREADY OVERBURDENED  
WITH INEFFICIENT PUBLIC SECTOR CORPORATIONS, PM

WENT ON TO SAY FURTHER INDISCRIMINATE NATIONALIZA-  
TION WOULD NOT SOLVE UNEMPLOYMENT PROBLEM AND WOULD  
PROBABLY CONTRIBUTE TO LOWER PRODUCTIVITY. SHE HAD  
BEEN SURPRISED TO LEARN FROM SHAH DURING HER VISIT  
LAST YEAR THAT IRANIAN WORKERS SOMETIMES DID NOT TAKE  
THEIR VACATIONS AND THAT PRODUCTION REMAINED VERY HIGH.  
SHAH HAD EXPLAINED THAT BASIC REASON FOR  
IRAN'S SUCCESS WAS SYSTEM OF INCENTIVES, MOST IMPOR-  
TANT OF WHICH WERE  
WARRANTS#PERMITTING WORKERS TO  
BUY UP TO 45 PERCENT OF SHARES OF INDUSTRIAL  
CONCERNS AND SYSTEM UNDER WHICH ALL WORKERS WOULD  
RECEIVE 20 PERCENT OF PROFITS. SHE WAS STUDYING  
IRANIAN EXPERIENCE TO SEE IF SIMILAR INCENTIVES COULD  
BE INTRODUCED IN SRI LANKA.

7. I TOLD PRIME MINISTER MY

OBSERVATION WAS THAT DESPITE  
SEVERE HARDSHIPS FACING COUNTRY, THE AGRICULTURAL  
DISTRICTS, WHICH REPRESENTED HEARTLAND OF HER SRI  
LANKA FREEDOM PARTY'S STRENGTH, WERE RELATIVELY BETTER  
OFF THAN WERE AREAS OF MARXIST STRENGTH REPRESENTED  
BY DENSELY POPULATED URBAN COASTAL  
DISTRICTS IN WESTERN AND SOUTHERN PARTS OF ISLAND.  
PRIME MINISTER AGREED THAT THIS WAS ONE OF KEY  
GEO-POLITICAL FACTS OF LIFE SHE FACED IN TERMS OF  
HOLDING UP COALITION TOGETHER. IN MEETING WHICH  
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SHE AND CABINET MINISTERS HAD HELD WITH JCTUO LEADERS  
ON PREVIOUS DAY SHE HAD EMPHASIZED THAT JCTUO UNIONS  
WERE DIRECTLY AFFILIATED WITH THREE PARTIES COMPRISING  
UF. CONSEQUENTLY ANY STRIKE WOULD BE CLEARLY  
RECOGNIZED AS STRIKE AGAINST GOVERNMENT WHICH WAS  
GENUINELY SYMPATHETIC TO TRADE UNIONS ASPIRATIONS.  
SHE SAID THAT AFTER SHE HAD MADE HER POINTS SHE HAD  
LEFT MEETING AND HAD RELIED ON HER MARXIST MINISTERS  
TO CONVINCE UNIONS AFFILIATED WITH LANKA SAMAJA  
PARTY (LSSP) AND COMMUNIST PARTY MOSCOW (CP/M) TO  
GO ALONG WITH COMPROMISE PROPOSAL AND CALL OFF STRIKE.  
FORTUNATELY, THIS TACTIC HAD WORKED AND HENCE SETTLE-  
MENT WAS ACHIEVED.  
VAN HOLLEN

NOTE BY OCT: COLOMBO 295 #AS RECEIVED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, LABOR STRIKES, STRIKE SETTLEMENT  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 JAN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975COLOMB00295  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750037-0397  
**From:** COLOMBO  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t1975014/aaaaactu.tel  
**Line Count:** 169  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 COLOMBO 0239, 75 COLOMBO 0275  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** SmithRJ  
**Review Comment:** n/a  
**Review Content Flags:** ANOMALY  
**Review Date:** 16 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 JUN 2003 by BoyleJA>; APPROVED <24 OCT 2003 by SmithRJ>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CONVERSATION WITH PRIME MINISTER: JCTUO STRIKE CONCELED  
**TAGS:** ELAB, PINS, CE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006